

Message Text

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ACTION IO-14

INFO OCT-01 EUR-25 ISO-00 ACDA-19 CIAE-00 INR-10 L-03

NSAE-00 NSC-07 RSC-01 SCI-06 FEA-02 AF-10 ARA-16

EA-11 NEA-10 ABF-01 OMB-01 TRSE-00 AID-20 DRC-01

OIC-04 /162 W

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R 121242Z APR 74

FM US MISSION IAEA VIENNA

TO SECSTATE WASHDC 4223

INFO AEC GERMANTOWN

USMISSION EC BRUSSELS

AMEMBASSY BONN

UNCLAS SECTION 1 OF 2 IAEA VIENNA 3327

E.O. 11652: N/A

TAGS: PARM, IAEA

SUBJECT: ADMINISTRATIVE & BUDGETARY COMMITTEE,

APRIL 10: DEBATE ON NUCLEAR SAFEGUARDS

REF: IAEA VIENNA 2995

SUMMARY: COMMITTEE PRODUCED LONGEST DEBATE AND STRONGEST CRITICISM OF IAEA SAFEGUARDS IN RECENT YEARS, INCLUDING FIRST ATTACKS ON SAFEGUARDS FINANCING FORMULA AND ON PROPOSED US AND UK SAFEGUARDS AGREEMENTS. ALL SPEAKERS, INCLUDING FRANCE AND INDIA, SAID SAFEGUARDS IMPORTANT AND NECESSARY, BUT MANY URGED PRIMARY RELIANCE ON NATIONAL SAFEGUARDS SYSTEMS WITH MINIMAL VERIFICATION BY IAEA.

1. APRIL 10 MORNING SESSION OF A&B COMMITTEE OF IAEA BOARD OF GOVERNORS DEVOTED TO LONGEST AND MOST CRITICAL DEBATE IN RECENT YEARS ON PROPOSED BUDGET FOR SAFEGUARDS DEPARTMENT (ALMOST \$5 MILLION, OF WHICH INDUSTRIALIZED COUNTRIES WILL PAY OVER 90 PERCENT IN ACCORD WITH SPECIAL UNCLASSIFIED UNCLASSIFIED

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FINANCING FORMULA ADOPTED IN 1971.)

2. INDIAN AMBASSADOR LED OFF NOTING 30 PERCENT INCREASE IN SAFEGUARDS COSTS IN 1975 OVER 1974 (BASED ON ASSUMPTION EURATOM FACILITIES WILL COME UNDER IAEA SAFEGUARDS IN 1975) AND FURTHER INCREASES PROJECTED FOR FUTURE. HE SAID SAFEGUARDS NECESSARY "FIRSTLY IN OUR NATIONAL INTERESTS AND SECONDLY IN INTERNATIONAL INTEREST. IT FOLLOWS THAT NATIONAL SYSTEMS OF INSPECTION AND MATERIAL ACCOUNTANCY SHOULD FIRST BE ESTABLISHED. AGENCY INSPECTORS SHOULD AUDIT RESULTS AND CHECK EFFICIENCY OF NATIONAL SYSTEMS. THUS AGENCY WOULD NOT BE BURDENED WITH EVER-EXPANDING CORPS OF INSPECTORS." TURNING TO SAFEGUARDS FINANCING FORMULA (SFF), HE NOTED MOST LDCS ALREADY PAYING MORE THAN MINIMUM, I.E., AMOUNT THEY PAID IN 1971. HE SAW NO REASON WHY LDCS SHOULD HAVE TO PAY MORE THAN THEY DID IN 1971 AND SOONER SFF REVIEWED THE BETTER. (AT TIME SFF ADOPTED, IT WAS DECIDED IT WOULD BE REVIEWED "AFTER 1975". UK REP POINTED OUT IN REPLY TO INDIAN AND OTHERS THAT BY NO STRETCH OF IMAGINATION COULD THIS READ AS EARLIER THAN JANUARY 1, 1976).

3. COSTA RICAN AMBASSADOR AGREED THAT IF SAFEGUARDS PRIMARILY NATIONAL WITH "SURVEILLANCE" BY AGENCY, COSTS COULD BE BROUGHT DOWN. SAFEGUARDS WERE NECESSARY AND COSTA RICA SUPPORTED THEM, BUT TECHNICAL ASSISTANCE OF GREAT IMPORTANCE TO LDCS AND IMBALANCE IN IAEA PROGRAMS (I.E., TOO MUCH FOR SAFEGUARDS, TOO LITTLE FOR TA) WAS HARMFUL. WE WOULD HAVE TO GO INTO SFF IN DEPTH AT LATER DATE. INDOESIAN AMBASSADOR SAID LDCS EXPECTATIONS RE SFF (PRESUMABLY THAT THEIR ASSESSMENTS FOR SAFEGUARDS WOULD BE FROZEN) HAD NOT BEEN FULFILLED. HE STRONGLY OPPOSED INCREASE IN SAFEGUARDS BUDGET AND LOOKED FORWARD TO 1976 SFF REVIEW. BRAZILIAN RESREP SAID BRAZIL RESERVED ITS POSITION ON SAFEGUARDS BUDGET "DUE TO IMBALANCE IN BUDGET AS A WHOLE".

4. FRENCH RESREP EMPHASIZED FRANCE NOT RPT NOT AGAINST SAFEGUARDS BUT BELIEVED IN VERY STRICT BUDGETARY AUSTERITY. HE REMINDED COMMITTEE THAT ONE MEMBER OF BOARD HAD VOTED AGAINST SFF AND FRANCE CONTINUED BELIEVE COUNTRY
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SAFEGUARDED SHOULD REIMBURSE AGENCY FOR COST OF SAFEGUARDS. HE THOUGHT PRESENT AUTHORIZED NUMBER OF INSPECTORS(74) IS TOO HIGH AND NUMBER SHOULD BE FROZEN AT LEVEL OF THOSE ACTUALLY NOW EMPLOYED. HE WONDERED WHETHER BUDGET'S ASSUMPTION RE TIMING OF EURATOM FACILITIES COMING UNDER AGENCY SAFEGUARDS WAS STILL PLAUSIBLE AND EVEN IF IT WAS WHETHER WORKLOAD COULD NOT BE MANAGED BY IMPROVING "PRODUCTIVITY" OF INSPECTORS.

5. ITALY SUPPORTED FRENCH REQUEST TO POSTPONE RECRUITING

OF NEW INSPECTORS UNTIL NEED ACTUALLY ARISES. ALSO
SUPPORTED INDIAN VIEW THAT THERE IS DISTINCTION BETWEEN
SAFEGUARDS AND INSPECTORS; AGENCY COULD HAVE ONE WITHOUT
EXTRAORDINARY INCREASE IN THE OTHER. HE CALLED FOR
INCREASED RESEARCH ON IMPROVING EFFECTIVENESS (READ
DECREASING COST) OF SAFEGUARDS.

6. PHILIPPINE RESREP SAID SFF WOULD BE APPROPRIATE TOPIC
FOR NPT REVIEW CONFERENCE IN MAY 1975. IAEA REVIEW IN
1976 DID NOT PRECLUDE EARLIER DISCUSSIONS IN OTHER FORA.
PHILIPPINES ALSO SUPPORTED SAFEGUARDS; PROBLEM WAS THAT
COSTS HAD RISEN WHILE TA HAD NOT RISEN PROPORTIONATELY.

7. MEXICO ASSOCIATED ITSELF WITH VIEWS OF "INDIA,
INDONESIA PHILIPPINES, FRANCE AND ITALY." US/UK
VOLUNTARY OFFERS TO PLACE THEIR PEACEFUL NUCLEAR FACILITIES
UNDER IAEA SAFEGUARDS WERE MENTIONED BY INDIA, INDONESIA,
PHILIPPINES, AND COSTA RICA, IN FIRST DISCUSSION OF THESE
OFFERS IN IAEA FORUM SINCE 1971 WHEN BOARD AUTHORIZED
SECRETARIAT TO NEGOTIATE WITH US AND UK. INDIA SAID
IT WAS NOT CLEAR WHAT PURPOSE OFFERS SERVED. ONLY
PURPOSE OF SAFEGUARDS AUTHORIZED BY AGENCY STATUTE IS
TO ENSURE AGAINST DIVERSION TO MILITARY USES. WHERE
MILITARY USES ALREADY UNDERTAKEN, SAFEGUARDS ARE AS
GOOD AS LOCKING ONLY SOME SOORS OF STABLE. WHY SHOULD
ALL MEMBERS PAY FOR SAFEGUARDS IN NES? IF ALL THEIR
PEACEFUL FACILITIES SAFEGUARDED BY AGENCY, COSTS WOULD BE

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ACTION IO-14

INFO OCT-01 EUR-25 ISO-00 ACDA-19 CIAE-00 INR-10 L-03

NSAE-00 NSC-07 RSC-01 SCI-06 FEA-02 ABF-01 OMB-01

TRSE-00 AID-20 DRC-01 OIC-04 AF-10 ARA-16 EA-11

NEA-10 /162 W

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R 121242Z APR 74

FM USMISSION IAEA VIENNA
TO SECSTATE WASHDC 4224

INFO AEC GERMANTOWN
USMISSION EC BRUSSELS
AMEMBASSY BONN

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FRIGHTENING. COSTS SHOULD BE BORNE BY "INTERESTED PARTIES - AND INDIA IS NOT AMONG THEM." PHILIPPINES SAID SINCE OFFERS FULFILLED NONE OF STATUTORY PURPOSES OF SAFEGUARDS, THEY MUST BE INTENDED FOR SOME OTHER PURPOSE. RUMOR HAD IT THEY WERE TO ENCOURAGE RATIFICATION OF NPT BY CERTAIN COUNTRIES. IF SO, PHILIPPINES HAD SEEN NO EVIDENCE OF ANY POSITIVE RESULTS. HE ASKED HOW MANY EFFECTIVE KILOGRAMS WOULD BE SAFEGUARDED UNDER THE TWO OFFER AGREEMENTS AND WHAT AGREEMENTS WOULD SAY WAS PURPOSE OF SAFEGUARDS APPLIED UNDER THEM.

8. IN REPLY, UK NOTED THAT OFFERS ORIGINALLY MADE OVER SIX YEARS AGO AND FACT THAT THEY WOULD ENTAIL INCREASE IN AGENCY'S RESPONSIBILITIES HAD LONG BEEN KNOWN. "TIMBS PAPER" CIRCULATED IN SAFEGUARDS COMMITTEE IN 1971 HAD ATTEMPTED ESTIMATE COST OF SAFEGUARDING UNDER OFFERS AND HAD SUGGESTED WAYS TO HOLD COST DOWN. SINCE THEN UK HAD JOINED EURATOM AND IAEA VERIFICATION OF EURATOM SAFEGUARDS IN UK WILL COST LESS THAN WOULD HAVE OTHERWISE. COMPROMISE ON SFF IS DELICATE, WAS FREELY BUT LABORIOUSLY ARRIVED AT, AND SHOULD NOT BE LIGHTLY DISCARDED. HE STRESSED THAT AGENCY MUST BEAR COST OF SAFEGUARDS UNDER UK OFFER.

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9. FRG SAID IT HAD AGREED TO SFF ON UNDERSTANDING US AND UK FACILITIES WOULD BE SAFEGUARDED IN ACCORDANCE WITH TIMBS PAPER. THIS WAS INTEGRAL PART OF OVERALL AGREEMENT REACHED IN SAFEGUARDS COMMITTEE. FRG CONTINUED ATTACH GREAT IMPORTANCE TO APPLICATION OF IAEA SAFEGUARDS TO US AND UK PEACEFUL FACILITIES. CANADA SAID SFF IS TOPIC RESERVED FOR ANOTHER TIME AND PLACE AND IT NOT PREPARED DISCUSS IT IN A&B COMMITTEE. IT COMMENDED AGENCY FOR ITS CONTINUED EFFORTS TO IMPROVE ITS SAFEGUARDS. USSR, IN BRIEF STATEMENT, POINTED OUT SAFEGUARDS HAD FUNDAMENTAL PLACE IN IAEA STATUTE AND SAID MEMBERS MUST BE CAREFUL (IN SEARCH FOR ECONOMIES) NOT RPT NOT TO WEAKEN EFFECTIVENESS OF SAFEGUARDS.

10. US RESREP SAID SAFEGUARDS OF EXTREME IMPORTANCE TO HIS COUNTRY. NOTED STATUTE PROVISIONS, NPT OBLIGATION OF SUPPLIERS, AND REQUIREMENTS OF US LAW. AS TO FINANCING, HE NOTED THAT SFF APPROVED BY SAFEGUARDS COMMITTEE, BY BOARD, AND BY GENERAL CONFERENCE. THERE HAD NEVER BEEN ANY DOUBT THAT COSTS WOULD RISE OVER TIME. QUESTION WAS WHO SHOULD BEAR BRUNT AND SFF ASSURED THAT INDUSTRIALIZED COUNTRIES WOULD. IT HAD BEEN CLEARLY UNDERSTOOD IN SAFEGUARDS COMMITTEE THAT VOLUNTARY

OFFERS WOULD BE FINANCED IN SAME WAS AS ANY OTHER IAEA SAFEGUARDS. US CONTINUES TO REGARD THIS ASPECT OF UNDERSTANDING AS FUNDAMENTAL. UNDERSTANDING WHICH GREW OUT OF TIMBS PAPER WAS THAT COST WOULD BE HELD DOWN BY SELECTIVE APPLICATION OF IAEA SAFEGUARDS IN US & UK. SFF REVIEW IN 1976 CANNOT BE TREATED CASUALLY OR WITHOUT TAKING INTO ACCOUNT INTERESTS OF ALL MEMBER STATES. CERTAINLY ALL HOPE THAT SAFEGUARDS COSTS WILL LEVEL OFF, TA AND US EXPECTS THAT TO EXTENT SLIPPAGE IN ENTRANCE INTO FORCE OF AGREEMENTS MAKES POSSIBLE POSTPONEMENT OF INCREASES IN INSPECTORATE STAFF, THIS WILL BE DONE. WE ALSO HOPE TA WILL INCREASE, BUT DO NOT SEE ANY CONNECTION BETWEEN THE TWO - UNLESS SAFEGUARDS WERE TO BE SO WEAKENED AS TO BECOME INADEQUATE, IN WHICH CASE US VOLUNTARY CONTRIBUTIONS FOR TA WOULD INEVITABLY BE AFFECTED.

11. DDG HALL, RESPONDING TO QUESTIONS FROM COMMITTEE MEMBERS, PROMISED TAKE HARD LOOK AT ENTIRE BUDGET, INCLUDING SAFEGUARDS PORTION, TO EFFECT ALL POSSIBLE ECONOMIES. INSPECTOR GENERAL ROMETSCH NOTED THAT NPT SAFEGUARDS SYSTEM (INFCIRC 153)
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IS IN FACT BASED ON MAXIMUM UTILIZATION OF NATIONAL SYSTEMS OF ACCOUNTANCY AND APPLICABILITY OF IAEA SAFEGUARDS VARIES ACCORDING TO LEVEL OF EFFORT OF NATIONAL SYSTEMS. HE SAID ESTIMATE OF 17,000 EFFECTIVE KILOGRAMS EXPECTED TO BE UNDER AGENCY SAFEGUARDS INCLUDED ALL NNWS, INCLUDING EURATOM NNWS, AND AGENCY WOULD NEED 58 INSPECTORS TO SAFEGUARD THIS QUANTITY (COMPARED TO 49 EXPECTED TO BE EMPLOYED AT END 1974 AND 74 POSITIONS AUTHORIZED). WHILE EFFECTIVE KILOGRAMS WOULD INCREASE TO 67,000 WHEN ALL US AND UK PEACEFUL FACILITIES COME UNDER SAFEGUARDS, SELECTIVE APPLICATION WOULD MAKE IT POSSIBLE SAFEGUARD THIS AMOUNT WITH ONLY 10 ADDITIONAL INSPECTORS. THEREFORE THERE WILL BE NO NEED INCREASE AUTHORIZED PERSONNEL LEVELS IN 1975 BEYOND LEVEL ESTABLISHED FOR 1974. PRESSED BY PHILIPPINES FOR REPLY TO QUESTION ABOUT PURPOSE OF US & UK OFFERS, ROMETSCH SAID TWO AGREEMENTS STILL UNDER NEGOTIATION AND HE COULD NOT SAY WHAT FINAL WORDING MIGHT BE, BUT IN ANY EVENT SAFEGUARDS PROCEDURES UNDER THOSE AGREEMENTS WOULD BE SAME AS IN ANY OTHER AGENCY AGREEMENT. TOTAL COST WOULD BE DETERMINED NOT BY ANY DIFFERENCE IN PROCEDURES BUT BY SELECTION OF FACILITIES. US CITED PAGE REFERENCES TO 1971 SAFEGUARDS COMMITTEE RECORDS WHERE PURPOSES OF US OFFER HAD BEEN STATED AND SAID WE HAD NOTHING TO ADD TO THOSE STATEMENTS. UK NOTED THAT BOARD WOULD HAVE OPPORTUNITY DISCUSS AND PASS JUDGEMENT ON CONTENT OF ITS AGREEMENT WHEN IT CAME BEFORE BOARD FOR APPROVAL.

12. COMMENT: IN PART, LDC CAMPAIGN - CAREFULLY ORCHESTRATED LIKE ALL OF THEIR INTERVENTIONS IN A&B COMMITTEE - WAS SIMPLY ATTEMPT AT BLACKMAIL TO ENSURE DEVELOPED COUNTRIES' AGREEMENT TO LARGER TARGET FOR TA. HOWEVER, NO MATTER HOW GENEROUS TA MAY BE IN FUTURE, WE ARE CLEARLY IN FOR ROUGH TIME WHEN (A)

US & UK OFFERS COME BEFORE BOARD, AND (B) SFF IS REVIEWED IN
1976. PORTER

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